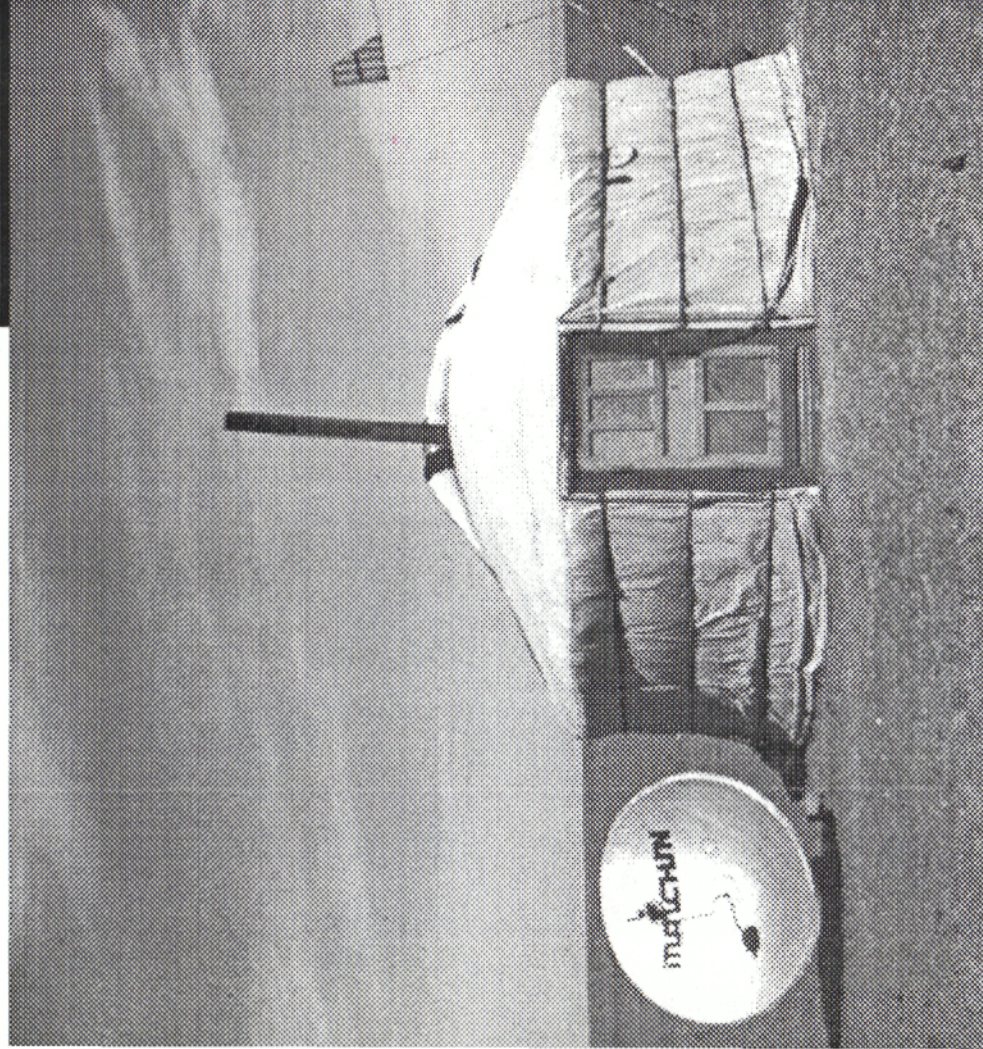




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Mongolia Update

1998



Mongolia Update is an unofficial publication of UNDP and documents key trends and events of 1998.

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Preface

Mongolia Update has proven to be one of the more popular documents produced by the UNDP Mongolia office. Since the autumn of 1997 UNDP has been able to offer two more frequently updated sources of information: the UNDP homepage and our monthly newsletter, the Blue Sky Bulletin (available from our office if you are not already receiving it). Please use the United Nations Homepage at <http://www.un-mongolia.mn> to keep abreast of the latest political, economic and social developments in Mongolia. Mongolia Update is an unofficial document of UNDP and is designed to periodically keep our partners outside Ulaanbaatar apprised of issues in the country. We take responsibility for any shortcomings or oversights and welcome feedback from users of this report.

The Year that Was - 1997

One

Mongolia began to turn the corner in 1997 as market reforms started to bear fruit. During the turbulent transition period of the early 1990s, Mongolians witnessed soaring inflation and a generally weak economy. This was the result of the transition period following the collapse of the Soviet Union and the end to subsidies and trading arrangements of that era. With the election of Mongolia's first non-communist government in June 1996, the Democratic Union Coalition used its strong mandate to press ahead with accelerated market reforms while building on the foundation put in place by the reformed communists prior to 1996.

The new government's action programme was founded on fundamental economic reform, including privatisation of major industrial enterprises and state-owned banks, liberalisation of prices and the abolition of tariffs.

According to the government of Mongolia the main objectives of Mongolia's economic and social development in 1997 were fulfilled. In 1997 the most obvious successes were in the macro-economic realm and in the emerging service sector. Inflation in 1997 was decreased first by 35 per cent and then by 17 per cent (it had reached 300 per cent during the 1990s) with a 31.1 per cent rise in economic growth. The GDP increased by 3.3 per cent against that of 1996. A budding service sector was already beginning to show its face on the streets of Ulaanbaatar. New shops, restaurants and bars were not just catering to the well-heeled foreign community but to the growing number of Mongolians with disposable income and an appetite for consumables. The number and quality of vehicles on the roads was also

evidence of a consumer boom after years of pent up demand (there were 65 020 registered vehicles in 1996 and 70 088 in 1997).

The 1997 state budget revenue of Mongolia totalled Tg 227.6 billion and state budget expenditures reached Tg 289 billion. Expenditures exceeded income by Tg 70.4 billion. Industrial production increased by 4.4 per cent against 1996. A source of pride for a traditionally nomadic country, the livestock population reached a historic high in 1997 with 31.3 million heads, up 2 million from 1996.

Privatization of state entities continued apace in 1997 with apartments being sold by the state to occupants; in a surprise move the government decided to give away apartments for free to those who had lived in them prior to October 1996. The State Property Committee's goal for 1998 is to finish privatization of all small state entities which now total 500.

Oil Prospects Brighten

Prospects for increasing government revenues from oil extraction brightened in 1997. On June 6 in Dornod aimag 700 barrels of high quality petroleum were extracted from a 2 400 meter well. Four wells out of the six tapped had petroleum and it is believed that the region will have an abundant reserve for several years. Estimates by a Swiss bank and the American Soco Company place the deposit at 15 million barrels of high quality oil with the potential to deliver 700 barrels per day. Twenty wells are expected to be drilled up by 1999.

Flash floods killed 13 people and over 5 000 animals, and destroyed over 13 dwellings in Galuut, Bayan-Ovoo and Ulziit sums of Bayankhongor aimag on June 23. The total damage was estimated to be Tg 164.2 million. The MIAT Yu-12 plane crash in the spring(???) in Dundgobi, killed eight and seriously injured four people.

Despite some improvements in the economy, high levels of unemployment and consequently, a perceptible increase in poverty

(not to mention a slow economic recovery outside the capital) took its toll on the political realm. Support for the opposition MPRP remained strong and cracks were beginning to appear in the Coalition government.

In the political arena, MPRP candidate for the presidential office, N. Bagabandi, received 60.8 per cent of the vote in a May 18 election, in a campaign stressing social justice. International observers called the election free and just and on June 20 the newly elected President of Mongolia took office. At the start of the academic year in September, students from state-owned colleges and universities, led by the Mongolian Students' Union, went on strike. They demanded a reversal of tuition fee and dormitory charge hikes. After meeting with student leaders, the government acceded to their demands, instructing university directors to cut fees and slash dormitory rents. But with no commitment of extra money from the government, university administrators warned cuts would have to be made in other areas, including supplies and instructors' salaries. It was the first-ever attempt by public university students to go on strike.

MPRP Clash with Coalition

With the opening of Parliament on October 1 the government was challenged by a more confident opposition led by the MPRP, newly invigorated by the election of its candidate for President. The leader of the MPRP, N. Enkhbayar, took office and chose the opening session of Parliament to call for the government's resignation. He accused the Coalition of ignoring its election promise to cut taxes by 20 to 30 per cent, of bungling privatisation and neglecting the social sphere. Finally, on October 17 the government marshalled its majority in a secret ballot to defeat the resolution, with 47 MPs voting against and 25 for. Prime Minister M. Enkhsaikhan used the occasion to defend his government's record, noting that inflation had been decreased, the tugrug stabilized, foreign currency reserves increased and a banking crisis deflected.

A mayoral decree issued in July called for all Ulaanbaatar residents between the ages of 15 to 40 years to undergo

compulsory testing for HIV/AIDS and other Sexually Transmitted Diseases (STDs) during a campaign slated for the first two weeks of October. The supervisor in charge of the city's health office, Mr. Y. Terbish, then said that only females in this "high-risk" age group were to be tested. Finally, the Ministry of Health ascertained that the campaign was to be carried out in all aimags and non compulsory.

According to the STD/AIDS Prevention Center director Mr. H.Davaajav, about 84 per cent of the Ulaanbaatar population between the ages of 15 to 40 underwent voluntary testing; 1,036 were infected with STDs, whereas 300 tested negative for HIV.

Prime Minister M. Enkhsaikhan was forced to call an emergency Cabinet meeting in December when it was discovered that one of two men from Cameroon - previously arrested for fraud - had tested positive for HIV, gonorrhoea and trichomonas while in prison. The two men became a media cause celebre, and were later deported from Mongolia. A police investigation revealed that the two men had had sexual relations with four Ulaanbaatar sex workers, who in turn had sex with 56 Mongolian men. One of the women tested positive for HIVs, making her's the second known case in Mongolia. The first HIV case to be identified in Mongolia was reported in 1992.

The Year So Far - 1998

Two

January 1998

- ♦ The new year brought more than just hangovers for Mongolians; it also brought a shorter work week. Since the early days of communism Mongolians had grown used to a six-day work week. This changed when the Parliament amended the labour law to switch to a five-day work week as of January 1. Despite prophecies of doom from some quarters, the transition to a shorter work week passed quietly. Though compulsory holiday time was shortened to 14 days from three weeks, wages stayed the same. According to a Parliament poll, 72 per cent of the population supported the change.
- ♦ The government's Year of Youth also kicked off the new year with its own song sung by Mongolia's top pop musicians. Tg 150 million will be spent on activities planned for the year, including concerts and a summer youth forum. According to the State Statistical Office, 64 per cent of the population is between the ages of 16 and 35. Youth have been hit hard by the economic changes, with 62.5 per cent of the unemployed under 35. Secondary and higher education enrolment reached 116,300, with 57.6 per cent female and 42.4 male.
- ♦ The Ministry of Health and Social Welfare and the Young Leaders' Club jointly established the National Foundation Against AIDS. The Foundation will organize peer counselling, testing and advice for young couples.

- ◆ The Mongolian Nature Protection Association has become an official member of the International Confederation of World Nature Protection Associations.
- ◆ Mongolia's livestock population topped 31.3 million heads according to the SSO. This broke down into 355,100 camels, 2.9 million horses, 3.6 million cows, 14.1 million sheep and 10.3 million goats. The decline in the camel population in 14 aimags is of concern.
- ◆ The Democratic Coalition defended its record to date, claiming it had fulfilled one third of its Contract with the Voters. Since being elected in 1996, the government had passed 189 laws, rescinded 13 and issued 183 decrees.
- ◆ A Cameroonian national infected with AIDS was deported from Mongolia on January 7.

February 1998

- ◆ Satoma-Oil, a Mongolian and American Joint Venture, exported its first batch of 350 barrels of oil extracted from a field in Tamsag, Dornod to China.
- ◆ The Government's "Green Revolution" kicks off, with the intention to dramatically increase the quantity of fruits and vegetables grown in Mongolia and to reduce dependence on foreign imports.
- ◆ The Youth-21 Ecoforum on Sustainable Development was organized by MAP-21, the Mongolian Youth Association and other NGOs.
- ◆ The Erdenet copper mine board decides to extend director general, Sh. Otgonbileg's term by three months until May 25.
- ◆ An agreement between the Mongolian and South Korean governments allows 500 Mongolians to work in Korea for a two-year stint.

- ◆ The Buyant-Ukhaa airport in Ulaanbaatar, thanks to the Asian Development Bank, now has two fire trucks where it had none before.
- ◆ Canada opened its first diplomatic mission in Mongolia and plans are under way to open a Mongolian consulate in Canada's financial capital, Toronto. The Canada Fund is spending US \$100,000 on projects in Mongolia and 10 Canadian mining companies are employing 500 Mongolians.
- ◆ Workers at Mongolia's largest industrial enterprise – Erdenet copper mine – walk off the job on February 23. The dispute erupted over rival candidates for membership of the board controlling the Mongolian-Russian joint venture. Erdenet accounts for one fourth of Mongolia's state budget and 50 per cent of its exports.

March 1998

- ◆ President N.Bagabandi makes an official visit to Kazakhstan, Kuwait and Turkey with an entourage of 20 people, including high-ranking officials and businessmen.
- ◆ Mongolian United Movement members, with their head G.Boshigt, started a sit-in at Sukhbaatar Square, blaming the Parliament and government for betraying promises made to the people.
- ◆ Three infants die and dozens of others are seriously ill due to the spread of sepsis at Maternity Ward No.1. An estimated 40 babies are being treated for the disease.
- ± It is announced by the National TB Centre that Mongolia has one of the world's highest rates of tuberculosis infection. In 1995 Mongolia had 124.9 TB infections per 100,000 people – the fifth highest level in the world. To date 98.2 per cent of the country's 3,600 TB patients are receiving treatment in hospital.

2

April 1998

- ◆ The government formed by Prime Minister M. Enkhsaihan resigns. Ts. Elbegdorj, the leader of the Democratic Union Coalition (Mongolian National Democratic Party and the Mongolian Social Democratic Party) and Parliamentary deputy speaker, takes over as Prime Minister of Mongolia.
- ◆ A Federation of Mongolian Trade Unions demonstration called for better wages, benefits, vacations and an improved social welfare policy. The demonstration arose from the Parliament's decision to postpone allowances and benefits issued from the social insurance and social welfare fund. The on-going demonstrations by the Mongolian United Movement, led by G. Boshigt, remained defiant. They demanded a response from the President, Parliament and the Government to their 23-point petition.
- ◆ Severe storms in the western aimags killed two people, 43,500 animals, destroyed 1,200 dwellings and buildings and several electronic stakes. Total damages were estimated at Tg 1.4 billion.
- ◆ Over 100 guns capable of firing rubber bullets were distributed to environmental control officers across Mongolia. Poaching and illegal logging are on the rise, as well as assaults on park staff.
- ◆ The number of Mongolians donating blood declined dramatically in the first quarter of 1998. Officials pin the plunge down to increased fears of HIV infection in the wake of several highly publicized cases.
- ◆ Health organizations won the right to make money after members of the State Ikh Hural social policy standing committee voted against adding the words "non-profit" to the definition of health organizations in the proposed health law.

May 1998

- ◆ US Secretary of State, Madeleine Albright paid a seven-hour visit to Mongolia on May 2 and praised the country as being

"independent and peaceful, proud and free." She noted that trade doubled with the US in 1997 – but at US \$50.9 million it still lagged behind Russia, China and Switzerland.

- ◆ President N.Bagabandi made an official visit to Japan from May 13-18 through the invitation of the Japanese government.

- ◆ Newly-appointed Minister of Finance, B.Batbayar, adopts resolution 80 on May 27, merging the bankrupt state-owned Reconstruction Bank with the private Golomt Bank.

- ◆ In the same week that MIAT, the national airline, celebrated its 73rd anniversary with the introduction of an Airbus 300 to its fleet, a Chinese-built Yu-12 plane crashed killing all aboard. Twenty-eight crew and passengers perished, including 16 adults, seven children and five teenagers. The Yu-12 has a poor safety record in Mongolia but no cause has yet been determined for the crash. An investigation continues.

- ◆ Spring fires continued to burn across many parts of Mongolia, though officials say most of the blazes were extinguished. So far in 1998, 91 steppe and forest fires have been reported in 12 aimags.

- ◆ Mongol TV began night broadcasts on May 2, extending its evening broadcasting schedule until 1 a.m. The late-night lineup begins with the 11 o'clock news and features sports and entertainment programming between midnight and 1 a.m, including a popular Disco TV show.

- ◆ Mongol Telecom (MONTEL) reported profits of Tg 3.6 billion in 1997, two-and-a-half times the previous year's level. The state-run company is 40 per cent owned by Korea Telecom.

- ◆ The government allocated Tg 410 million (US \$512,000) from the central budget to repair the damage caused by wind and dust storms in the western aimags. Total damages were estimated at Tg 1.4 billion (US \$1.7 million). The spring storms in which winds reached 162 kilometres per hour, claimed the lives of two people and 43,500 livestock and levelled 1,200 gers.

- ◆ Anti-government protestors blocked downtown roads in Ulaanbaatar on May 19. The protest was organized by the Mongolian United Movement and consisted mainly of pensioners demanding the resignation of the government. MUM is facing a lawsuit by the city for obstructing traffic.

June 1998

- ◆ MIAT general director, Ch. Alexander, stepped down on June 5 along with G. Ganbaatar of the Civil Aviation Authority, in the wake of the May plane crash. Alexander was replaced by former Infrastructure Minister, G. Nyamdavaa.
- ◆ An International Investors Forum on Agro-Industry and Tourism took place during June 24-26, involving over 200 foreign and 500 domestic representatives.
- ◆ Parliament was paralyzed by a two-day debate and a subsequent walk-out by the opposition over charges that resolution 80 on the bank merger was illegal.
- ◆ Over 13 000 firearms were legally imported into Mongolia between 1995 and June 1998, pushing up the total of firearms to 45 000.

July 1998

- ◆ MPRP candidate, D. Tseveenjav, wins a by-election with 70.8 per cent of the vote. It is the third by-election in a row the MPRP has won since the general election two years ago.
- ◆ The newly appointed Government resigned on July 25 after a secret poll; 42 members or 56 per cent voted for the government resignation and 33 against.
- ◆ As part of a scheme to fight desertification in the Gobi desert border town of Zamyn-Uud, the Ministry of Environment plans to spend Tg 80 million (US \$100,000) to transport sand dunes five kilometres outside the city.

- ◆ Long-awaited new ID cards for Mongolians were delayed until the government transferred funds to the British company making the cards. The new ID cards are to replace passports and will reintroduce Mongol family names in addition to given and paternal names.
- ◆ A US \$30 million World Bank project will tackle electricity waste in the capital. According to the head of the power authority, Mr. Erdenbileg, 13 -14 per cent is squandered because of poor technology and another 30 per cent is pilfered by consumers.
- ◆ Heavy rains and flooding across the country claimed 12 lives and provided a stark contrast to the drought-like conditions that started the summer.

August 1998

- ◆ President Bagabandi intervenes in a two-week-long hunger strike by the Mongolian United Youth Movement, calling for it to end and the protestors to use legal channels. Under an agreement with acting Prime Minister, Ts. Elbegdorj, the protest stopped with a pledge from the government to pay more attention to social policy.
- ◆ A private members' bill in the Parliament calls for a 15 per cent tariff on all imported foodstuffs between September 1 and April 1. The bill hopes to protect the domestic food industry.
- ◆ An amendment to the education law makes it compulsory for Mongolian children to start school at age six. Mongolians currently begin first grade at age eight, one of the highest school-starting ages in the world.
- ◆ The power authority announces it will cut electricity supplies to recalcitrant debtors starting August 15. The Authority said it had no choice, stating repairs and winter preparations had stopped and that a debt of US \$14 million was still outstanding. 70 per cent of power users in Darkhan, Baganuur, Erdenet and the ger istricts of Ulaanbaatar experienced cut-offs.

♦ A disabled man sets himself alight on August 13 during a demonstration in Freedom Square. Ts. Jambal doused himself in petrol and ignited it. He suffered burns to his legs and said he could not survive on Tg 6,420 a month while supporting a wife and three children.

September 1998

♦ The media landscape is set for a major shake-up with the passing of the long-awaited media law on August 28. The state-owned newspapers Zasgyn Gazrin Medee and Ardyn Erkh – Mongolia's most widely read paper – are to be abolished under the law. The law, designed to promote democracy and pluralism in society, bans state ownership and state control of the media. Newspapers and radio stations supported by local governors will also be affected as well as the giant national broadcaster Mongol TV and Radio. The law will take effect on January 1, 1999.

♦ Mongolian Traditional United Party MP, O. Dashbalbar, has suggested that debt evaders be strung from a pole. "Let's execute them if necessary," he said to Parliament.

♦ The national oil-import company, NIC hiked prices by 12.5 per cent starting September 2.

♦ Over 30 agencies, studios and publishers have joined the newly formed Mongolian Advertising Association. The advocacy group chose Foreign Investment Board chief, D. Jargalsaikhan, as its first president.

♦ Mongolia will have an open market with regards to both Internet providers and cellular phones as of January 1, 1999. The Mobicom cell phone company will lose its monopoly status, as well as, the Datacom Internet provider.

October 1998

♦ Sanjaasuren Zorig, the democracy campaigner turned politician, was murdered upon his return to his apartment on October 2.

Politics, Economy and Society

Three

Political Changes

By the middle of January the Parliament approved elected MPs being members of the Cabinet; a move that was to have profound significance for the Enksaikhan government in the months to come. The Mongolian 1992 constitution prohibited members of the State Ikh Hural from taking on other state duties. An amendment to the law on MPs' legal status adopted earlier by this Parliament interprets the edict to mean that – unlike in most parliamentary democracies – MPs cannot serve in the Cabinet.

In February the leaders of the governing coalition partners – the National Democratic Party and the Mongolian Social Democratic Party – appealed for a merger. Opinion varied widely on the reason for the proposed merger, with some seeing it as a sign of political crisis while others see it more like a natural evolution for two parties with similar ideologies. The Social Democrats were also being wooed by the opposition Mongolian People's Revolutionary Party to form powerful centre-left bloc. Rumours were also starting about a Russian-style overhaul of the Cabinet.

In a bizarre move on March 27, the general council of the Mongolian National Democratic Party voted for the resignation of its government. The suggestion came from party president and Deputy Speaker, Ts. Elbegdorj, soon to supersede Prime Minister, Enkhbaatar. At the time, Elbegdorj suggested that the Coalition government's current low public approval came down to a lack of coordination between the government and the State Ikh Hural. "The government has not acted in line with the wishes of the Parliament and should resign," he said at the time. Parliament

resumed on April 6 after a two-and-half month break during which fissures in the Coalition appeared. Prime Minister, Enkhsaikhan, complained that a faction in the party was trying to oust him. He was right. On April 17, a day after an extraordinary joint meeting of the ruling councils of the MNDP and MSDP, Prime Minister, Enkhsaikhan, handed his resignation to President, N. Bagabandi. It was approved by the State Ikh Hural on April 22 by a vote of 591. Ten MPs boycotted the session, saying the move was unconstitutional.

The resignation provoked mixed reactions amongst Mongolians. Some felt it would speed up the pace of reform. Others saw it as a grab for power by a faction in the Coalition, or worried about the lack of experience of a Cabinet of MPs.

Youngest PM

The new Prime Minister, Ts. Elbegdorj, took office on April 23, vowing to chart the same economic course as his predecessor, and to operate a more open and transparent government. Although he replaced a number of senior civil servants, he said he would not make changes to the structure of the nine government Ministries.

He vowed to press forward with a busy spring session, in which a number of bills central to the government's programme — including a new law on foreign investment and a long-awaited media law — were slated to be passed.

But he immediately ran into trouble. Elbegdorj nominated his nine-member Cabinet April 27, but only five of the nominees received the approval of Parliament. The process came to border on farce, as nominee after nominee was shot down in the State Ikh Hural. The last Minister — Education Minister Ch. Saikhanbileg — was not approved until May 28. He was the fifth nominee put forward for the post. The local media expressed concern about the average age of 35.8. In place at last, some people began to worry about its lack of experience.

Then, at the beginning of June, the 25 Opposition MPs began a boycott in protest over the government-approved merger of the 18-month-old state-owned Sergeen Bosgoltyn (Reconstruction) Bank

with the private Golomt Bank. The merger, which the government carried out with the backing of international financial institutions, was necessary, said the Finance Minister. The Reconstruction Bank was insolvent, with 70 per cent of its Tg 11.2 billion (U.S. \$13.7 million) in outstanding loans classed as unreliable.

The Opposition labelled the merger a "conspiracy", charging the government with driving the bank to its doom by racking up Tg 8.7 billion (\$10.5 million) in debts and pointing to links between the Golomt Bank and members of the National Democratic Party.

The result was a Parliament paralysed for all of June. Key bills — including the foreign investment bill slated to be approved before a June 24-26 investors' conference in Ulaanbaatar — languished.

Government Minister Murdered

The crisis deepened when a large majority of an all-party task force appointed to investigate the merger, ruled that the move was improper. The President warned that if the impasse was not resolved soon, he would have no choice but to dissolve the State Ikh Hural and call an early election.

"Even if the government resigns or there is a new election, it will not mean that Mongolia will reverse its chosen path," Prime Minister, Elbegdorj, told journalists on June 18. "The people have already made their choice."

On July 25 Prime Minister, Ts. Elbegdorj, and his entire cabinet resigned after a secret poll, with 56 per cent of MPs voting for the Government's resignation. On October 2, one of the founders of the democratic movement and acting minister for infrastructure development, S. Zorig, was murdered on returning to his apartment. At the time of writing the Parliament was still searching for a replacement Prime Minister to form a new government, and Zorig was hinted at being a contender.

The opposition MPRP further distanced itself from the past by adopting in May a new logo. Replacing the traditional communist red star with a red rose — the international emblem of social democracy — and a yin-yang symbol, expressing the creative and receptive forces of nature. The party also passed a resolution expressing "deep regret" for the "tragic" purges of the 1930s and 0s, in which as many as 30,000 Mongolians died.

Major Legislation

The autumn session of the Parliament came to a close on January 23, 1998. It was a busy session with 91 laws adopted out of a total 172 draft laws and 60 resolutions. Thirty new laws were adopted, 52 were amendments to existing laws, and eight invalidated old laws. They included issues relating to social problems, reforms to social policy, a law on the five-day work week and legislation defining the minimum subsistence level and the minimum wage. The 1998 spring session started on April 5 and planned to adopt 43 draft laws. By July 1, nine laws were drafted, four were amended and one invalidated an old law. The legislative agenda was slowed down by the change in prime ministers, and the on-going political crisis surrounding controversies like the much-criticized Golomt and Reconstruction Bank merger.

The priorities for 1998 include health care, medications, hygiene and sanitation, science and technology, national security and mobilization. According to the plan, the following draft laws will be debated: state budget, administration and financing of state organizations, mass media and freedom of information, elections and lobbying.

In late January, the Prevention of Crime law went into effect. It prohibits the media from publishing details of crimes and criminal trials. Supporters of the law say the plethora of newspapers and TV programmes reporting on crime are actually encouraging it. Critics of the law claimed it was a step backwards to state censorship and that out of sight does not necessarily mean out of mind.

In September, the Media Law was passed. It removes the state from any involvement in the media as of January 1, 1999. This affects newspapers and the leviathan state broadcaster, Mongol TV and Radio

The Economy - Inflation

Macro economic indicators showed some very encouraging results in 1997. The State Statistics Office showed inflation dropping from over 300 per cent only several years ago, to 17.5 per cent for the year. According to former Minister of Finance, P. Tsagaan, 'The liberalization of prices, the abolition of import taxes, a deep restructuring process in the banking and financial sector, changes to the tax system and a strict credit policy conditioned the decrease of inflation down to 17.5 per cent per annum. The GDP increased by 3.3 per cent per annum.' Others attributed the lowering inflation rate to the reduced purchasing power of the population.

By July 1998, inflation had dropped below ten per cent for the first time since Mongolia's transition to a market economy,

Impact of Asian Crisis on Mongolia's Economy

"When the crisis first hit Asia in October 1997, Mongolia expected it would be immune from its effects. But the Asian economic crisis finally began to filter down to Mongolia. It has resulted in a flood of cheap imported goods from South-East Asia, with no equal export market," said Prime Minister Ts. Elbegdorj in June.

Generally, external economic influences exacerbated the imbalance of exports and imports, causing a decline in economic growth and an overburdening of the state budget. Imports thrice outpaced exports, which resulted in a currency shortage.

As of June 1998, the external turnover deficit increased to US \$89.9 million, a figure that is US

\$70 million higher than the previous year. It was projected to generate income of Tg 121.2 billion by June of this year; however, only Tg 89.2 billion was transferred, producing a Tg 32 billion gap in the budget.

While some predicted a banking crisis, things have not developed as the pessimists imagined. Individual deposits increased almost two-fold in 1997. But, until June 1998, total deposits decreased by Tg 15 billion, resulting from deposit withdrawals.

The price of copper, Mongolia's largest foreign-currency earner, fell by nearly a quarter in the first four months of 1998 due to the Asian financial crisis. Prices for cashmere and gold, major exports for Mongolia, also declined.

according to the SSO. This was attributed to a tough monetary policy and limits on credits to banks and the government.

The consumer price index (CPI) increased for housing, fuel and electricity by 50.7 per cent, clean water per capita by two-fold, goods and services and education by 41.4 per cent, clothes, shoes and cotton materials by 30.5 per cent and medicine, vaccines and medical services by 26.6 per cent.

Commodities and servbices, Measuring unit	End of 1996 MNT	End of 1997 MNT	*June 1998% End of 1997
General Index	-	-	109.2%
I. Foodstuff			
Flour (grade 1, kg)	325.0	365.0	86.3%
Bread ("Atar", piece)	240.0	230.0	100%
Rice (kg)	390.0	360.0	100%
Mutton (grade 1, kg)	550.0	595.0	181.5%
Beef (grade 1, kg)	650.0	650.0	164.6%
Milk (litre)	350.0	450.0	65.3%
Sugar (kg)	526.0	555.0	84.5%
Potato (kg)	295.0	255.0	135.7%
Onion (kg)	450.0	590.0	159.3%
Vegetable oil	1620.0	1400.0	98.6%
Eggs (piece)	117.0	125.0	100%
Alcohol (domestic, 0.5l)	1920.0	2500.0	95.8%
II. housing, heating and Electricity			
Monthly housing space fees (1sq.m)	80.0		
Monthly heating fees (1sq.m)	48.0		
Monthly water use per capita	180.0		
Electricity (1 Kilo Watt)	18.2	35.2	100%
Bus fare	100.0	100.0	100%

Source: State Statistical Office report.

*Comparing June 1998 with the end of 1997. The difference is shown in percentages.

9.2 per cent; for 1997 it was 28.9 per cent. In March of 1998, due to meat price increases of between 30 and 40 per cent, the CPI grew by 4.2 per cent compared with February 1998.

In accordance with the September 1997 report of the State Statistical Office, the average household monetary income for urban areas was Tg 63,900, and in rural areas Tg 48,400. The average household monetary expenditures reached Tg 62,500 in urban areas, and Tg 48,500 in rural areas.

Household monetary income composition

End of 1996	End of 1997	Description of composition
27.9%	27.6%	Wages and salaries
5.9%	7.0%	Pensions and allowances
47.2%	47.1%	Individual income
19.0%	18.3%	Other

Household monetary expenditures composition

End of 1996	End of 1997	Description of composition
45.0%	44.0%	Expenditures on food total
42.5%	43.4%	Non-food expenditures
12.4%	12.5%	Expenditures on service
0.1%	0.1%	Deposits

Source: State Statistical Office report.

Impact of Russian Crisis on Mongolia's Economy

In May Russian coal miners blocked the Trans-Siberian train that passes through Ulaanbaatar on its way to China. The blockade was lifted on May 24. In August a severe benzene shortage hit Mongolia and prompted the re-introduction of rationing. At its worst all gas supplies were pulled back to the capital, leaving many in the country stranded and unable to drive cars and run gas-powered electricity generators. At the time of writing the situation had improved but rationing was still in place in many parts of the country. The delays

were attributed to job actions by Russian workers.

The Mongolian stock exchange got the jitters after Russia's government announced that it would allow the rouble to float – or sink – on August 17. Share prices soon levelled off and Mongol Bank officials said the country had been largely immune to the troubles in Russia. Russia accounts for 30 per cent of Mongolia's imports and 13.5 per cent of its exports.

Exchange Rate

The national currency, the tugrug, stabilized its exchange rate with foreign currencies in 1998. During the last eight months of 1997, the average monthly fluctuation in the exchange rate ranged within 0.37 per cent.

Market exchange rate by October 1998: US \$1 = Tg 855

End of 1996	End of 1997	June 1997	March 1998	June 1998
693.51	812.20	797.99	817.61	838.63

The Bank of Mongolia posted in June 1998 the following rates for buying foreign currencies: DM 463.59; JPY 5.90; CHF 549.96; GBP 1393.38 and HKD 108.28.

Monetary and Banking Developments

The Bank of Mongolia maintained a tight monetary policy in 1997, aimed at reducing inflation and stabilizing the currency. This tight monetary policy continued in 1998, the hallmark of this policy is the policy of monetary management through reserve money. The coordination of monetary policy instruments has been based on factors affecting the economy, including demand and supply. As a result of these activities, the inflation rate declined three times in 1997 from 1996. This price stability has been a significant achievement, which established a strong foundation for economic growth and an increase in real income.

The Bank of Mongolia reported at the end of May 1998 that the total money supply had reached Tg 166.4 billion, when at the end of the previous year it was Tg 170.06 billion. Individual deposits reached Tg 54.9 billion by the end of 1997, and Tg 52.3 billion by June 1998. Interest rates for medium term domestic currency deposits are fixed between 12 and 42.6 per cent in 1998, and 1.2 and 26.8 per cent for foreign currency deposits. In the previous year it was 6 to 69.6 per cent and 3.7 to 42.6 per cent respectively.

The solvency of the national commercial banks increased two-fold in 1997. The net international reserve reached in 1997 US \$107.15

million – a figure twice that of 1996. This was due to gold reserves surpassing 8,000 kg of pure gold, 48.4 per cent more than 1996. As of June 1998, the net international reserve is US \$69.17 million. Outstanding loans stood at Tg 50.3 billion at the end of 1997, marking a 22.2 per cent decrease against 1996. It was Tg 74 billion as of June 1998.

The Debt Collection Service collected Tg 5.4 billion in 1997, and plans to bring back another Tg 5 billion this year.

In conformity with its 1998 work plan, the Bank of Mongolia desires to keep inflation no higher than 20 per cent; increases in money supply no lower than 25 per cent; and net foreign currency reserves to reach US \$80 million.

In the framework of the government's monetary policy, the following will be done this year: bank restructuring, increasing bank solvency and current capital, restoring inter-bank mutual trust and monetary market operation, defending consumer rights, maintaining competition as well as implementing bank privatization.

A Value Added Tax was introduced as of July 1, and then raised from 10 to 13 per cent. The new tax is to meet International Monetary Fund conditions. The Consumers' Rights Association said costs are rising because of the VAT. They pointed to the 30 per cent hike in domestic airfares, petrol hikes and a 20 per cent increase for milk products.

Foreign Aid and Investment

The October 1997 Tokyo International Donor Meeting saw pledges of US \$250 million in loans and grants being made – an amount equal to the state budget revenue of Mongolia. Most of the donors contribute to infrastructure development, namely highways and transportation, power stations and communication.

Since 1991, loans to the Mongolian Government reached US \$560 million, most being long-term, low interest loans. In 1997, foreign grants reached Tg 6.3 billion.

It was revealed by the government that only five per cent of foreign aid is spent on the social sector. Of US \$180 million in aid slated for 1998, 30 per cent will go to mining, 27 per cent to energy, 19 per cent to transport, eight per cent to communications, five per cent to social security and three per cent to other areas.

Japan continued to hold its status as Mongolia's largest bilateral donor. A record US \$20 million was pledged for 1998. USAID is spending US \$2.2 million on diesel power generators to non-grid power stations in five aimags.

Reconstruction Bank/Golomt Bank Merger

At the beginning of June 1998, 25 Opposition MPs began a boycott in protest over the government-approved merger of the 18-month-old state-owned Sergeen Bosgoltyn (Reconstruction) Bank with the private Golomt Bank. The merger on May 27 was carried out by the government with the backing of international financial institutions, including the World Bank. Finance Minister Bathbayar defended the move as necessary because the Reconstruction Bank was insolvent, with 70 per cent of its Tg11.2 billion (U.S. \$13.7 million) in outstanding loans classed as unreliable.

The opposition labelled the merger a "conspiracy", charging the government with driving the bank to its doom by racking up Tg8.7 billion (US \$10.5 million) in debts, and pointing to links between the Golomt Bank and members of the National Democratic Party.

The result was a Parliament paralysed for all of June. Key bills - including the foreign investment

bill slated to be approved before a June 24-26 investors' conference in Ulaanbaatar - languished.

The crisis deepened when a large majority of an all-party task force appointed to investigate the merger, ruled the move was improper.

The President warned that if the impasse was not resolved soon, he would have no choice but to dissolve the State Ikh Hural and call an early election.

The government passed another resolution (114) to uncouple the merged banks and return the Reconstruction Bank to state ownership. The resolution "added fuel to the fire", neither placating the opposition nor salvaging the political crisis. In fact the move was perceived by the opposition as further proof of a weak government.

On July 25, under a Parliamentary secret no-confidence vote of MPs - 42 for and 33 against - the government resigned.

The German Reconstruction Bank extended to Mongolia a soft loan of DM 15 million to overhaul the power station in Choibalsan, Dornod aimag. In June the Foreign Credit and Aid Coordinating Unit was replaced by the Foreign Investment, Credit and Aid Coordinating Unit based at the Foreign Relations Ministry.

Under an Asian Development Bank project, the French firm Alcatel is replacing 150 kilometres of telephone cable in Ulaanbaatar, Darhan and Erdenet. It says 50,000 new customers will be hooked up to the phone system as a result of the US \$21 million scheme.

Mongolia spent US \$108.9 million in loans and grants from donors in 1998 as of November, of more than US \$205 million committed. The Government established the Foreign Investment and Loan Coordination Council in an attempt to streamline the use of incoming foreign funds.

Fiscal Situation

Total state budget revenues for 1997 were Tg 207.5 billion (excluding grants), of which 5.1 per cent was the current revenue; 83.8 per cent or Tg 165.5 billion and 16.2 per cent or Tg 31.8 billion were tax and non-tax revenue respectively. The total budget expenditures reached Tg 298.5 billion (excluding net lending), of which 65.9 per cent were current expenditures, and 34.1 per cent were capital expenditure. The total budget deficit stood at Tg 90.9 billion. The State Property Committee contributed Tg 13.4 billion to the state budget, and grants Tg 6.1 billion.

For 1998, state budget revenues are projected to reach Tg 214.9 billion and expenditures Tg 293.9 billion, with the deficit standing at Tg 79 billion. Budget revenues are to be derived from tax income of Tg 143.8 billion, non-tax income of Tg 45.9 billion, privatization income of Tg 16 billion, and foreign loans and grants of Tg 9.1 billion.

According to state budget projections for 1998, the highest subsidy

to a local budget will be given to Gobi-Altai, at Tg 2.3 billion, and the lowest is Gobi-Sumber, with Tg 609 million.

As of June 1998, total revenue and grants reached Tg 102.3 billion for the general government budget, of which Tg 77.3 billion went to the central governmental, and Tg 26.8 billion to local government budgets.

Foreign-currency reserves shrunk by a quarter since the beginning of 1998. Mongol Bank figures set the reserves at the end of the first half of 1998 at US \$75.7 million, \$15.7 million more than a year ago. But the fund is down from a high of US \$100 million at the beginning of the year. Due to drops in world prices for cashmere and copper, the government has been forced to sell off large chunks of foreign currency to keep the tugrug stable.

Industrial and Real Sector Developments

Despite modest gains in 1996/97, industrial productivity in 1998 was 46.1 per cent lower than in 1989, according to the Ministry of Agriculture and Industry. Coal production was down 38.5 per cent, cement 40.4 per cent, glass and chinaware 96.6 per cent, building materials 53 per cent, leather goods 97 per cent and sheepskin goods 98 per cent.

Construction Sector

In 1997, 820 housing apartments worth Tg 7.2 billion were built. Construction and capital repair worth Tg 44.4 billion was done by domestic and foreign companies, a Tg 5 billion increase in money being spent, but a five per cent decrease in construction work being completed against 1996.

As of June 1998, construction and capital repair worth Tg 17.2 billion was done. Total construction work performance is impeded by poor investment in upgrading skills and equipment.

Gross Industrial Production

The State Statistical Office reported that in 1997 the industrial sector employed 62,000 persons, with gross industrial output reaching Tg 454.7 billion – a growth of 4.4 per cent or Tg 9 billion against 1996. GDP increased by 3.3 per cent against 1996.

Total output broke down as follows: 58 per cent produced by mining of metal ores, quarrying stone, coal and other mining sector; 17.3 per cent by electricity, thermal energy generation; 13 per cent by manufacturing of food products and beverages; and the remaining parts by other sectors. Production in coal mining, textile sector, clothing, wood, skin and hide processing declined in 1997.

As of June 1998, gross industrial output reached Tg 210.8 billion or 33 per cent of output reached by June 1997.

Mining

Mongolian mines delivered 8,902 kilograms of gold to the central bank in 1997 – 2,905 kg more than in 1996.

In May, the Sharyn Gol coal mine – 240 kilometres north of Ulaanbaatar – stopped production for eight days because it could not afford to buy supplies, carry out repairs or pay its workers. Sharyn Gol, which produces a million tonnes of coal a year, is the major supplier to the mammoth Erdenet mining enterprise, power stations in Darkhan and Erdenet cities and Ulaanbaatar's Power Station #3. The mine is owed more than Tg 6 billion (US \$7.5 million) by its customers.

In July, Australia's BHT company claimed it had discovered a copper deposit in Dungov aimag larger than the deposit at the Erdenet mine.

Service Sector Development

Though statistics are difficult to find, there has been a substantial increase in the service sector, most of it in the capital, Ulaanbaatar. 1998 will be remembered as the year of renovations and conversions.

Many ground floor apartments and older buildings were spruced up to take on a new life as a shop, restaurant or bar. The range and quality of goods available has also substantially increased. The capital now boasts restaurants selling French, Italian, Indian, Senagalese and American cuisine. Macroeconomic incentives to start businesses are now beginning to pay off. The capital has taken a different hue, buzzing with activity. Outside the capital this service sector revolution hasn't taken off. Mongolians are saying "Everything is available for those who can afford it."

Foreign Trade Developments

According to a 1997 report by the SSO, total external turnover equaled US \$1.026 billion, of which exports were worth US \$ 451.5 million and imports US \$574.7 million. The trade deficit stood at US \$123.2 million, a US \$96.6 million or 14.7 per cent increase against 1996. Imports increased by 21 per cent or US \$ 123.8 billion.

The decrease of exports was caused by an overall fall in export products, with copper concentrate dropping by 2.7 per cent, flourite spar concentrate by 3.6 per cent, goat processed cashmere by 15.2 per cent and non-processed cashmere by 8.3 per cent.

As of June 1998, total turnover equaled US \$371.6 million, including exports of US \$140.9 million, and imports of US \$230.7 million. The deficit stood at US \$89.8 million. Main export markets were Switzerland, China, the Russian Federation, South Korea, USA, Great Britain, Japan, Italy and Germany. In the first five months of 1998, the SSO found that while imports continued to increase, the prices for basic goods were also rising. From January 1 to June 1 of 1998, Mongolia racked up US \$186.2 million in exports, against US \$114.3 million in imports. That's US \$40.3 million less in exports and US \$59.9 million more in imports than in the same period last year. Prices for basic consumer goods rose by 12.2 per cent between December 1997 and June 1998. The production of 88 made-in-Mongolia products increased over 1997. Production of 58 items declined and

10 items previously produced in the country - including matches and batteries - are now to be imported.

The number of foreign joint ventures and wholly owned companies registered in Mongolia now stands at 820.

The head of the Ulaanbaatar Trade Union, Mr. D. Jadambaa, charged in May that too many foreign joint-venture businesses were exploiting Mongolian workers. The Union made an audit of

Erdenet Plant Director Dilemma

This year saw upheaval at a key Mongolian institution: the Erdenet copper mine. It was revealed the plant had outstanding taxes to the tune of Tg 6.7 billion in 1997, and Tg 6.6 billion as of March 1998, according to the National Tax Office. It paid only Tg 2 billion out of Tg 5 billion in electricity and heating bills. Sh. Otgonbileg, the acting director general of the Erdenet mine, took the blame.

Erdenet brings nearly 20 to 30 per cent of budget revenues. Otgonbileg has been heading the plant since 1989. His four-year contract finished as of February 26, and was extended until May 26 as a result of a meeting of the joint Russian-Mongolian board of directors.

To Otgonbileg, Erdenet's troubles are due to the plummeting price for copper on the world market. But, an

audit by the Audit Commission of the State Property Committee, charged Otgonbileg had violated laws. The State Property Committee was asked by the government to replace the acting director-general.

When naming candidates for the director-general, President N. Bagabandi backed Sh. Otgonbileg, calling him "the best manager and experienced with the plant." This didn't help Otgonbileg, who was seen to be too close to the President and his party, the MPRP. The government proposed D. Dorligjav, the former defense minister.

Finally, D. Dorligjav was appointed as acting director-general, replacing Sh. Otgonbileg. Many of the key issues remain unresolved and the future of the mine is still uncertain.

27 joint-venture companies for compliance with Mongolia's labour laws and safety and sanitation regulations. They claimed to have found 25 infractions of the rules and fined one business Tg 40,000. Jadambaa, however, praised foreign investment and said the government should work together with unions to make sure standards are upheld.

Agriculture

Livestock

The State Statistical Office reported that, out of 31.3 million heads of livestock registered in 1997, there were 14.1 million sheep, 10.2 million goats, 3.6 million cows, 2.9 million horses and 355,400 camels.

Since 1990 livestock increased by 20.9 per cent or 5.4 million heads, in which 5.1 million or 94.9 per cent of the growth is attributed to goats. This is due to increasing interest among herders in producing cashmere for export, despite falling prices.

Statistics for June 1998 show that 80 per cent of 10.4 million breeding stock gave birth, and 9.7 million heads of new-borns survived. Natural losses of adult animals as of June 1998 totalled 2 per cent of total livestock or 6.1 million. The figure for 1997 was 1.5 per cent or 4.5 million.

In July the British ATL company signed a US \$2 million meat-processing agreement with Mongolia's Nomgon Bar company, to process and market Mongolia's pure, eco-friendly meat using a system of vacuum sealing and refrigerated transportation.

Crops

Green Revolution

The Ministry of Agriculture blamed financial and technical problems for delaying the crop harvest in 1998. Only half of the country's grain- and potatoe-harvesting equipment has undergone repairs this year. Problems with the Golomt and Reconstruction banks has meant farmers are unable to get loans for much-needed

fuel and parts.

In 1998, the total area sown reached 323,150.9 hectares – 98.3 per cent of 1997's area. Potatoes and vegetables sown this year increased by 122.3 per cent and 146.5 per cent respectively against 1997.

The government's Green Revolution is said to have involved 70,000 families and 920 businesses planting 10,000 hectares of fruits and vegetables.

Due to a shortage of domestic flour production, 11,000 tonnes of wheat were donated by the US Government to Mongolia at the end of 1997.

Mongolia spends US \$40 million a year to import vegetables. In August 1998 the US government announced it was going to donate 24 tonnes of wheat valued at US \$5 million to Mongolia. Mongolia will ship US \$6 million worth of meat and fluorspar to Russia in 1998, as payment for outstanding debts to its northern neighbour.

Privatization

The State Property Committee called 1997 a huge success in Mongolia's ongoing efforts to privatize business. Some 212 economic entities, including 97 state companies, were sold during the first phase of a three-year privatization programme, contributing Tg 13.4 billion to the state budget. These included 20,267 apartments. Sales of small- and medium-sized business was most effective.

The Committee sold 14 crop-farming enterprises at an open bid in 1997. Privatization of the remaining 40 enterprises on the list is planned for this year.

The Property Privatization Board transferred Tg 6.7 billion to the central government budget, and Tg 444.3 million to the local government budget as of June 30, 1998. Thirty-seven auctions

were organized in Ulaanbaatar, in which six properties, 29 economic entities, three limited companies were sold. One third, or 25,000 apartments out of a total 75,000, were privatized.

Local privatizations brought in by June 1998 Tg 787.9 million to the state budget.

In the area of land privatization, the government has promised it only affect 0.6 per cent of the country. Pasture land, Special Protected Areas and land regarded as public property would be exempt from privatization.

By May 1998 the Government admitted privatization was going slowly. As of that date, only 390 of 1,114 entities slated for privatization since 1996 have been sold off. Privatization of the largest businesses began in March 1998, but most of the larger entities – including the state airline MIAT and Gobi Cashmere – remain in government hands. High price tags and operating costs deter would-be buyers. Both the high-rise Ardyn Bank building and the State Department Store have failed to shift despite repeated attempts at auction.

By September 1998, 50,000 families became homeowners since housing privatization was introduced in 1997.

Social Issues

Unemployment

Official statistics registered 63,600 unemployed people at the labor exchange at the end of 1997, and 55,800 as of June 1998. The unemployment rate totaled 7.6 per cent at the end of 1997, with 25.5 per cent or the highest unemployment in Dornod aimag.

The number of unemployed entering the workforce is 10,800 as of June 1998. The number of unemployed newly registered in the first six months of 1998 decreased by 12,003 from 21,673 in 1997. The Ministry of Health's Labour Coordinating Office estimated that more than 200,000 people – 20 per cent of the working-age population – do not have formal jobs. The number of Mongolians officially registered as unemployed as of June stands at 62,200.

Nearly two-thirds of the officially unemployed have no professional training.

Women account for 48 per cent of Mongolian workers, or 363,831 of the country's 756,043 working people. But they make up 51 per cent of the registered unemployed, or 31,208 of 61,504.

Poverty

Official statistics at the end of 1997 showed the number of poor in the country had reached 587,741, comprising 149,647 households. The poverty level is 24.6 per cent of the population. 142,300 poor or 26,189 households live in Ulaanbaatar, while 56,328 poor – the highest number outside of Ulaanbaatar – live in Huvsgul aimag. 40.6 per cent of the poor are neither employed nor in school; 23.6 per cent are single-mother parents. The number of single-mother households in the country reached 51,700, showing a 12.4 per cent increase against 1996. Out of the poor population, 46.6 per cent are children under 16, 45.8 per cent are working age, and 7.6 per cent are elderly.

The minimum subsistence level (MSL) has not been revised since February 1997.

The number of Mongolians leaving the countryside for Ulaanbaatar in search of economic opportunities is increasing. In the first half of 1998, 6,518 people – most of them between the ages of 18 and 39 – resettled in the capital. That's 60 per cent more than in the same period last year. Faced with overloaded social services and rising unemployment, the Ulaanbaatar government is keen to curb this mushrooming of the city's

Partnership for Progress Update

Four

population. Official figures say the capital is home to 640,000 people, but unofficial estimates go as high as 1 million. It costs Tg 26,000 (US \$32) to register as an Ulaanbaatar citizen and receive social benefits.

The United Nations Development Programme has been a supporter of Mongolia's development efforts since the 1970s. A new five-year programme (1997 to 2001) called the Partnership for Progress, is into its second year. These UNDP activities support the Mongolian Government's Programme of Action (November, 1996), with its priority on economic growth under difficult transition conditions.

This year has seen a number of landmark activities. The United Nations as a system has signed with the Mongolian Government a Memorandum of Understanding on youth issues. Two more MOUs are due to be signed on Food Security and Nutrition and Human Rights. At UNDP, the priority has been to assist the Mongolian Government in the development of a relevant social policy to meet the challenges of free markets and democracy. This has entailed close consultation with the government, most particularly in the frequent visits of a Japanese specialist on human development. Work is under way on the 1999 Mongolian Human Development Report (the first was published in 1997). The Government has chosen the theme "Human Development and Government Services" for this report.

Human Development

Microcredit experience in Mongolia

UNDP is spending US \$1 million to kick off the microfinance experience in Mongolia for the first time. The project, signed in June 1997, is underway with the executing agency ACDI/VOCA, a US microfinance consulting firm.

Main outputs of the project include a national microfinance institution (MFI) providing technical service to other MFIs and loans; at least five local professional MFIs; 7,500 loans being disbursed; and a target of 50 percent women beneficiaries by the end of the project.

Support to formulation of social policy in Mongolia

Last year the Mongolian Government took decisive steps in the reform process in governance and macroeconomy. UNDP Mongolia is working to assist the government in identifying viable social policy options to balance these economic reforms. A preparatory report has been prepared by Professor Ryokichi Hirono, a well-known Japanese economist. UNDP Mongolia is leading an effort with the Government, UNICEF and Save the Children Fund (UK) to identify options for the development of a new national social policy framework. The policy options uphold sustainable human development paradigms and are consistent with the nation's ongoing political and economic reforms. The inputs from UNDP and UNICEF on this review of social policy options support national and international consultants, various workshops and training.

The review exercise will be conducted in two phases, incorporating social policy options and a national social policy framework. It is foreseen that the recommendations will be finalized in September 1998.

The issue was also broadly discussed at the 5th forum of the Economic Club (under UNDP's Economic and Social Growth Think Tank Project).

Helping to renovate the wheat seed pool in Mongolia for sustainable food security

UNDP's Emergency Production of High Quality Wheat Seed and New Variety Testing Project has allocated US \$100,000 for the purchase of high quality wheat seed from Kazakhstan. The present wheat seed pool in Mongolia is at six to seven generations, consequently, the productive quality is low. For the purpose of rejuvenating the seed pool, about 200 tonnes of high quality wheat seed were imported. The seed was distributed to 11 private sector cereal farms for multiplication purposes under the supervision of a local consultancy company. In autumn, 400 tonnes of the high quality seed will be put into the seed revolving fund. This is a critical initiative to boost food security in line with the priorities and market reforms of Mongolia.

Support to Mongolia's 1998 Green Revolution

With the help of UNDP's funds, 10,000 households in Ulaanbaatar City were provided with instruction booklets on how to grow fruits and vegetables. In connection with the national Green Revolution programme of the Mongolian Government, UNDP is spending US \$20,000 from its seed project to help purchase vegetable and fruit seeds and seedlings. In order to ensure the successful delivery of the support, the Poverty Alleviation Study Centre, an emerging national NGO, has been contracted for the job.

Support to formulation of water and sanitation policy in Mongolia

Under UNDP's WASH-21 project (National Water Sanitation and Hygiene Education for the 21st Century), a study tour to India took place in the framework of water and sanitation policy review and formulation. The tour focused on water and sanitation policy and management issues, with cost-sharing by UNDP and SIDA. As well, a full-scale policy formulation workshop will take place at the beginning of July, and the first draft of the policy will be presented to the Government of Mongolia in September 1998.

Environment and Natural Resource Management

MAP-21 for the 21st century is adopted

As the follow-up to Mongolia's commitment to the Rio de Janeiro Agenda-21, the Mongolian Action Programme for the 21st century (MAP-21) was launched at a national summit. The National Sustainable Development Action Programme incorporates the Sustainable Development Action Programmes of the 21 provinces. During the Summit, the 40-page executive summary was launched in both English and Mongolian. The summary lays out the national development strategy and how the Government and civil society can work together. Mongolia's Business Council for Sustainable Development was established to support among other things MAP-21. The Council will be promoting the benefits of sustainable development to the private sector.

Support to biodiversity conservation

The fragile steppe grasslands of Eastern Mongolia, considered a global treasure, will become a protected area under a new seven-year, UNDP project signed with the Government of Mongolia. The over US \$6 million project, "Biodiversity Conservation and Sustainable Livelihood Options in the Grasslands of Eastern Mongolia", is intended to prevent the unsustainable exploitation of the animals, plants and ecosystems of an area that is being targetted for oil exploration and mining. This innovative project will involve local people as environmental custodians, weaving the goals of environmental protection into sustainable livelihoods. Local governments in three provinces will receive support to incorporate biodiversity into local planning. Any profits from economic activities in the buffer zones will be plowed back into a Community Fund to be used by citizens. The Mongolian government hopes to increase the amount of territory under protection from 11.6 per cent to 15 per cent by the year 2000.

UNDP is working in partnership with the US Peace Corps, three Mongolian ecotourism companies and the governments of Finland and the Netherlands. The signing of the project was part of celebration of the World Environment Day on 5 June 1998.

UNDP documents biodiversity of Mongolia

The first national report on biodiversity in Mongolia was published in June. The report gives a broad description of the socio-economic development trends, environmental status, climate, flora and fauna of Mongolia and details government action so far, including the current status of protection, use and restoration.

Governance and Economic Transition

Support to the private sector

UNDP has signed with the Government of Mongolia a US \$2.6 million project to smooth the transition to a market economy. The project will provide national and international technical assistance to 10 newly privatised companies. These companies will be selected based on detailed criteria related to economic, social and environmental concerns. The project is intended to create a more dynamic private sector in Mongolia by reforming the operations of firms, introducing modern management techniques, developing models and methodologies for future enterprise reform and training staff. Despite the rapid introduction of market reforms, many private enterprises suffer from inexperience with the market economy. The end result is that these inefficiencies continue to contribute to low production and high unemployment; two consequences of transition that the project hopes to remedy. Funds for the "Enterprise Restructuring" project are being generously provided on a cost-sharing basis from the Government of the Netherlands.

Support to the national Information Technology seminar

UNDP Mongolia together with Asia-Pacific Development Information Programme (APDIP), held its first Information and Technology (IT) Seminar on the Internet in Kuala Lumpur. Tailored to the needs of the Mongolian Government delegation, the seminar was part of the preparation activities to the National IT summit that will take place this summer. Ministerial and private sector representatives, who are part of a working group to advise the Government on assessment, policies and implementation of IT strategy, participated in the seminar.

Greater access for Mongolians to the Internet

The APDIP contributed US \$12,000 to UNDP Mongolia to be spent on establishing the fifth Citizen's Information Service Center (CISC) in Dundgovi aimag (province) and to support the UN Information Shop's Internet connection for the public. CISCs offer access to the Internet and E-mail while also providing courses on computer software. UNDP has supported the use of the Internet to help give Mongolians access to their government's laws and the large amount of information produced by the central government in the capital.

Workshop high lights accomplishments in IT

A homepage competition capped a two-day workshop in May on maximizing the opportunities of IT. UNDP's Information, Communication and Technology for Sustainable Human Development Project has hooked up 20 government ministries to an Intranet and the Internet. There was also a homepage design workshop for more than 150 organizations. The number of Mongolian homepages has surpassed 70 and more come on-line every week.

The first Mongolian economics magazine

UNDP Mongolia's Economic and Social Growth Think Tank Project has initiated the first magazine to focus on economic developments in the country. Named "Development Economics", the quarterly magazine probes further into the challenges of a transition to a market economy.

Support to the development of new journalism in Mongolia

Under the Support to Democracy through Strengthening Journalism Project, training was provided for regional journalists on surviving in the market economy. The thirty plus workshops of the project aim to change the concept of journalism in Mongolia, switching from journalism controlled by the state to a free press in a proper democracy. To assist the Parliament's debate over a new media law, UNDP sponsored an opinion survey of journalists and politicians.

HIV/AIDS/STDs

Public awareness activities

The discovery of two new HIV-positive cases at the end of 1997 led to a national crisis driven by media hysteria. This increased the number of known Mongolians infected with HIV from one to two. In 1998, UNDP Mongolia's HIV/AIDS/STD team has been busy working with NGOs wishing to be involved in prevention and awareness-raising activities. Students were encouraged to amalgamate and form a student's AIDS Club, which was launched at local disco, Top Ten. The UN-funded Mongolian AIDS Bulletin was distributed and a game was played with patrons of the disco. Short dramatic scenes showing how HIV is transmitted was performed by troupe of actors. As well, the training needs of the homosexual community were ascertained.^a

AIDS Foundation established

At the launch of the National AIDS Foundation several private sector companies and NGOs pledged money for the Foundation. A total of about US \$4,500 was raised, through a combination of cash pledges and in-kind (condoms) donations from organizations such as the Mongolian Red Cross Society, the Olympics Committee, Mongolian Consulting Services, etc. The most impressive donation was made by Erdenet miners, who pledged a day's salary.

Support to raising public awareness on the prevention of HIV/AIDS/ STDs

Eleven NGOs are being contracted to work closely with the segments of society who are vulnerable to HIV/AIDS and STD infection. The UNDP component of the UNAIDS programme is funding these small projects to carry out prevention education among target groups. The target groups include commercial sex workers and their customers, businessmen, students, street and homeless children, homosexuals, military officers and prisoners. The projects will be aiming mainly at educating the educators. Formulation of the national IEC strategy
UNICEF, UNDP's HIV/AIDS team, other UN agencies and some women's NGOs have drafted the Terms of Reference for the

working group to formulate the National Information, Education and Communication strategy for HIV/AIDS/STD for the coming two years. The working group has started to implement the